

MINUTES
Highway Expansion and Extension Loan Program

Advisory Committee Meeting
May 8, 2001

Committee Members Present:

Mary Peters
Bill Beyer
Cliff Potts

Gary Magrino
Paul Schwartz
Bill Beyer

Members Absent: Jeff Martin
Tami Ryall

Others Present:

John McGee, ADOT Chief Financial Officer
Steve Schaefer, ADOT

Anna Marie Perry, ADOT
Vicki Tsutsumida, FHWA

Call to Order

The meeting was called to order by John McGee at 1:40 p.m. A quorum was present.

Action: A motion to approve the Minutes of the April 13, 2001 meeting was made by Mr. Beyer, seconded by Mr. Schwartz and passed unanimously.

Administrative Issues

Future Meetings

Mr. McGee reviewed future meeting dates for the HELP Advisory Committee with the next meeting scheduled for June 5, 2001.

Press Releases

Mr. McGee said copies of the press release were given out after last month's Board meeting. He reported the Board approved a \$1 million HELP loan for the City of Yuma. He said the City of Taylor loan would proceed to the Board this month if approved by the Committee.

Other States' Information

Ms. Perry reviewed the latest information received from Federal Highways regarding states participating in infrastructure banks. She said Arizona leads in disbursements to date, other than South Carolina, and are mid-range in terms of the number of loans.

Mr. McGee noted the \$205 million in loan agreements does not include the Christopher Creek Loan, therefore, as of Friday, Arizona will surpass Florida in terms of total loans approved.

HELP Internet Site

Ms. Perry distributed an informational handout for accessing the HELP website. The Committee was told this was an attempt to simplify the steps required to access the HELP website from the ADOT home page.

Other Issues

Mr. McGee reported that the budget was passed by the Legislature and signed by the Governor. He said there will be significant cuts in the Department's construction funding over the five year program and there could be some impact to the HELP Program. He said the total amount of funding for the Five Year Program 2002-2006 would be reduced between \$317 million and \$374 million dollars. He reviewed major components of the reduction, including the employee pay package, DPS Funding and the VLT – Hold Harmless. He said additional interest costs due to higher levels of bonding also contribute to the reduction in funding. He noted the Legislature took certain actions to help offset some of the cost increases and revenue decreases. He explained they increased the Board's HURF bonding authority to \$1 billion and authorized an additional \$60 million in Board Funding Obligation capacity through 2008. He said they have reviewed their federal funds forecast and it appears they will increase by approximately \$160 million.

Mr. McGee reported the Legislature repealed the appropriated \$20 million a year of General Fund Appropriations for HELP that was approved in 1999 for FY 2002 and 2003. He said they offset that, however, with \$40 million in additional BFO capacity through 2008. He estimated additional interest costs would result in a reduction in capacity of approximately \$9 to \$13 million, noting the real impact would not be evident until 2008.

Mr. McGee stated the Legislature also passed an amendment that essentially says the Board cannot change the five-year program approved last June. He said the Board is very concerned and has asked for a formal opinion from the Attorney General as to the legality of the language.

In response to a member's question, Mr. McGee explained that all right-of-way, construction, and design activities and costs for the Regional Freeway system would be paid for by the end of 2007. For two or three years thereafter, any funds that come in from HURF or federal funds would go toward debt service. He said they would have some HURF funding beginning in approximately 2010 or 2011 as revenue starts to outpace debt service requirements. Ms. Peters noted there could be an extension of the half-cent sales tax. She reported the Vision 21 Task Force is scheduled to meet again May 31, 2001 and their recommendations will be sent out for public hearing in June and July. Mr. McGee clarified that the statewide program averages approximately \$600 million per year and by 2007 he estimates it will increase to approximately \$700 to \$800 million per year. He said MAG's share would total approximately 35 to 40 percent of the program.

Ms. Peters noted several bills are currently being considered that would help increase safety on Arizona's roads.

Ms. Peters said they have had discussions with Union Pacific Railroad on what needs to be done to maintain the southwest rail line. She said several options were identified, however new track would have to be purchased. She stated they will meet with stakeholders on Friday to determine if there is support for maintaining the line. She said she believes the corridor has fiber optic cable, making it even more attractive in terms of bringing service to rural areas of Arizona.

Outreach Program

Mr. Schaefer reviewed the schedule for the rest of the calendar year, explaining it was prepared to give members an idea of the loans that will be coming up in the near future. He said next month will be fairly busy due to loans that have slipped. He stated they had a couple meetings with the CAAG region regarding some of their projects that were not listed in the TIP. He said the meetings went well and CAAG instituted a new process wherein if the community has identified a funding source for repayment, they can go directly to the CAAG Transportation Committee and the project will be put into the TIP within one month. Mr. Schaefer hopes to have that process instituted throughout the whole state.

A member asked that a discussion regarding prioritization of requests be added to a future meeting agenda. Mr. McGee reported they met with internal staff regarding non-MAG projects and are attempting to gain as much information as possible, explaining they could get to a point where they have to start picking and choosing between loans. He cautioned members to be careful not to encourage cities to ask for relatively large long-term loans, explaining the money could not be recycled quickly enough. He expressed his opinion that the Committee should try to fund as many of the small projects as possible because they mean a lot to the small cities and towns.

Mr. Schaefer offered to include internal loans in his report.

A member asked if Indian Tribes are involved. Mr. McGee said they are eligible, but there are two major issues when dealing with the Indian Nations, their stated position of sovereignty and the fact that they do not receive HURF funds. He noted the Department has had real success in working with some of the Tribes to develop agreements that benefited both parties. He said the nature of eligible projects will limit the number of deals with Native American Tribes. He said he has seen over the past few years that the Indian Tribes are becoming much more business savvy and are bringing in more outside professionals to assist them.

Cash/Loan Status/Project Sitemap

Ms. Perry reported a cash balance of \$121 million as of the end of March. She said they have brought in just over \$69 million in principal repayment on loans, with \$147,800,000 going out on loans. She stated there are a total of 14 loans totaling almost \$206 million. She said Tucson paid their loan off two and a half years early and is looking at a new loan for the balance of the

Sixth Avenue project. She reported they will be making the third payment on the right-of-way loan this week or early next week. Once that has been repaid to the HELP Program, HELP will turn around and repay the third installment to the State Treasurer's Office. Ms. Perry said the project sitemap has been updated, adding Yuma.

Mr. McGee said they will be working with Bob Olson, Squire Sanders Dempsey, to put together the third \$100 million BFO Resolution to take before the Board in July or August. He said \$40 million of that BFO will go to the HELP Program with the remaining \$60 million going to the State Highway Fund.

In response to a question by Mr. Beyer, Mr. McGee explained they only charge the HELP Program for the direct costs of those people working on the program. He estimated administrative expenses to be approximately \$150,000 to \$175,000 per year. He noted, under federal law, they can charge up to two percent of the total federal funds, approximately \$2 million, and there is no limitation on state funds.

City of Taylor

Mr. Schaefer presented an application and loan repayment agreement for the Paper Mill Road project. He said Paper Mill Road is fairly narrow and the City Council and residents have requested that it be widened to include a left turn lane and sidewalks. He stated the projected cost of the project is approximately \$1 million, with \$273,000 coming through NACOG federal funding. He said the project would not be done if the loan is not approved. Ms. Perry noted their HURF revenue is expected to increase by \$61,000 per year and Navajo County will contribute \$50,000 to the project for design work.

Action: A motion to approve the loan application was made by Mr. Potts, seconded by Mr. Magrino and passed unanimously.

Ms. Peters reported Arizona will be hosting a Western States Highway Transportation Association Conference in July and welcomed members to attend.

Ms. Peters asked Mr. McGee and the Committee to consider adopting priority criteria in the Infrastructure Bank Program that would be consistent with the state's planning goals.

Meeting adjourned at 2:50 p.m.